

Message Text

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E.O. 11652: N/A
TAGS: ELAB, UK
SUBJECT: STEEL INDUSTRY: JOBS AND WAGES

SUMMARY: AGAINST THE BACK-DROP OF THE BRITISH STEEL
CORPORATION'S DISASTROUS LOSSES OVER THE LAST YEAR AND
THE POLITICAL WRANGLE SURROUNDING INDUSTRY SECRETARY
VARLEY'S REFUSAL TO GIVE DETAILS OF PRIVATE CORRES-
PONDENCE WITH THE CORPORATION'S CHAIRMAN TO THE
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PARLIAMENTARY NATIONALIZED INDUSTRIES COMMITTEE, IMPOR-
TANT NEGOTIATIONS FOR THE INDUSTRY ARE CONTINUING.
CURRENT TALKS BETWEEN THE BSC AND THE UNIONS, LED BY
THE IRON AND STEEL TRADES CONFEDERATION (ISTC), COVER
THE WAGES SETTLEMENT NOW DUE, THE PROPOSED REDUNDANCIES
AND CUT BACKS NEEDED TO REDUCE BSC LOSSES AND NEW
INSTITUTIONS OF INDUSTRIAL DEMOCRACY AT THE HIGHEST

LEVEL OF THE CORPORATION. THE GOVERNMENT IS SUSPECTED BY THE UNION OF ATTEMPTING (FROM BEHIND THE SCENES) TO OBTAIN A SETTLEMENT WELL WITHIN THE 10 PERCENT EARNINGS LIMIT IN THE STEEL INDUSTRY, WHICH OTHER UNIONS SEE AS COMPENSATION FOR THOSE SETTLEMENTS THAT HAVE OVERSTEPPED THIS LIMIT. THE BSC MANAGEMENT HAD OFFERED 6 PERCENT TO ITS MANUAL WORKERS, THIS OFFER IN RESPONSE TO A CLAIM FROM THE ISTC FOR 11-1/2 PERCENT. GIVEN THE NEED FOR LARGE SCALE REDUNDANCIES, THE UNION IS ANGRY THAT BSC HAS NOT EVEN OFFERED 10 PERCENT WHICH UNIONS NOW SEE AS THE 'NORMAL.' LEVEL OF BARGAINING DURING THE CURRENT WAGE ROUND. THE NORMALLY MODERATE ISTC, UNDER THE LEADERSHIP OF GEN SECY BILL SIRS, IS APPARENTLY DETERMINED TO PRESS HIS CASE HARD. SOURCES WITHIN THE TRADE UNION MOVEMENT INDICATE THAT THE DIFFERENCE BETWEEN OFFER AND DEMAND IS LIKELY TO BE BRIDGED BY SOME FORM OF PRODUCTIVITY DEAL THAT WILL BE BASED ON THE INCREASED WORK LOAD IMPLIED BY REDUCING MANNING, WHILE MAINTAINING (AND HOPEFULLY INCREASING) OUTPUT. IN THE MEANTIME, HOWEVER, SIRS HAS PUBLICLY HINTED THAT HE INTENDS TO PUT PRESSURE ON THE GOVERNMENT IF IT PREVENTS BSC FROM INCREASING ITS OFFER. TUC LEADERS SEE HARD BARGAINING, COMPLICATED BY OVERDRAMATIZED PRESS COVERAGE, AND AN EVENTUAL SETTLEMENT. SIRS IS AWARE OF THE LIMITED POWER OF THE UNION IN VIEW OF THE INDUSTRY'S PROBLEMS AND ACCEPTS THE NEED TO SHED LIMITED OFFICIAL USE

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JOBS. BUT HE IS EQUALLY VEHEMENT IN HIS DETERMINATION NOT TO AGREE TO LARGE SCALE REDUNDANCIES (SAY 25,000) IF THE BSC DOES NOT MEET THE UNION'S "MODERATE" PAY DEMANDS. END SUMMARY.

1. THE NATIONALIZED BRITISH STEEL CORPORATION (BSC) IS CURRENTLY LOSING ABOUT ENGLISH POUNDS 10 MILLION PER WEEK, ACCORDING TO SOME ESTIMATES. AS A RESULT OF THE PROBLEMS FACED BY THE INDUSTRY OVER THE LAST FEW YEARS, THERE HAS BEEN A GROWING AWARENESS IN THE MANAGEMENT, UNION AND GOVERNMENT OF THE NEED TO RATIONALIZE THE STRUCTURE OF THE CORPORATION AND CLOSE THE MORE INEFFICIENT PLANTS, AS WELL AS RUN DOWN MANNING LEVELS THROUGHOUT THE INDUSTRY. NEGOTIATIONS FOR SUCH CUTS HAVE BEEN PROCEEDING SMOOTHLY BUT QUIETLY FOR SOME TIME. IN SEPARATE WAGE NEGOTIATIONS THE BSC HAD OFFERED A PERCENT WAGE INCREASE. NOW IT HAS TIED CUTS OF APPROXIMATELY 25,000 JOBS TO A 10 PERCENT PAY OFFER. THIS IS OUT OF A TOTAL WORK FORCE OF A LITTLE OVER 200,000. THE INITIAL REACTION OF THE MAJOR UNION IN THE INDUSTRY WAS NOT AS VEHEMENT AS MAY HAVE BEEN PREDICTED. THERE HAS BEEN A COMMITMENT FOR SOME YEARS

NOW TO CUT THE BSC WORK FORCE AND TO A PROGRAM OF CLOSURES. THE UNION, THE IRON AND STEEL TRADES CONFEDERATION (ISTC), IS COMMITTED TO NEGOTIATE REDUCTIONS IN THE WORK FORCE BASED ON NATURAL WASTAGE, ACCEPTABLE REDUNDANCY PAYMENTS AND A LIMITED NUMBER OF PHASED PLANT

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CLOSURES. THESE COMMITMENTS ARE ESTABLISHED, AND SOME CLOSE DOWNS ARE ALREADY AGREED. (THE UNION CLAIMS SOME 10,000 MANUAL JOBS HAVE DISAPPEARED IN THE PAST YEAR.) NEVERTHELESS, THERE REMAIN A SERIES OF PROBLEMS IN BRINGING THE PLANNED REDUCTIONS INTO FORCE WITH THE UNION INSISTING ON ALLOWING FOR THE SOCIAL CONSEQUENCES OF CLOSING PLANTS IN COMMUNITIES WHERE THERE ARE NO OTHER MAJOR INDUSTRIES TO ABSORB THE UNEMPLOYED.

2. THE ISTC WHOSE OFFICIAL CLAIM WAS FOR 11.5 PERCENT HAS REACTED HEATEDLY TO THE BSC WAGE/RETRENCHMENT OFFER LIMITED OFFICIAL USE

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AND GENERAL SECRETARY SIRS ANNOUNCED HIS INTENTION TO SEEK A MEETING WITH INDUSTRY SECRETARY VARLEY IN AN ATTEMPT TO MOVE THE BSC. IT NOW APPEARS THAT UNLESS THE BSC INCREASES THE OFFER, NEGOTIATIONS ON EARLY PLANT CLOSURES WILL BE THREATENED. THE BSC HAS INDICATED THAT ANY INCREASE IN ITS OFFER WILL BE DEPENDENT ON QUICKER CLOSURES OF THE ALREADY DOOMED PLANTS. WITHIN THE BARGAINING POSITIONS OF THE TWO SIDES THERE STILL APPEARS TO BE ROOM FOR AGREEMENT AND AVOIDANCE OF INDUSTRIAL ACTION.

3. THE IMPORTANCE OF THE STEEL NEGOTIATIONS FOR PAY POLICY IS IN THE SUSPICION AMONG PUBLIC SECTOR UNIONS THAT THE GOVERNMENT IS BEHIND THE BSC OFFER, AND THAT THIS MAY BE A TEST BY THE GOVERNMENT TO OFFSET OR HALT THE UPWARD DRIFT OF SETTLEMENTS BEYOND 10 PERCENT BY EXERTING PRESSURE FOR LESSER INCREASES IN THE PUBLIC SECTOR IN ORDER TO KEEP THE OVERALL RISE IN NATIONAL AVERAGE EARNINGS AS CLOSE AS POSSIBLE TO 10 PERCENT (WHICH TRADE UNION, INDUSTRY AND GOVERNMENT SOURCES ACCEPT WILL BE EXCEEDED). THE STEEL UNION IS A RELATIVELY EASY TARGET FOR THIS POLICY SINCE THE ECONOMIC SITUATION OF THE INDUSTRY CONSTRAINS ITS FREEDOM OF ACTION. THIS POINT HAS NOT BEEN LOST ON OTHER PUBLIC SECTOR UNIONS WHICH ARE FOLLOWING DEVELOPMENTS IN THE CURRENT NEGOTIATIONS WITH CONCERN.

4. THE GOVERNMENT'S ABILITY TO TURN THE STEEL CASE INTO A GENERAL WAGE STRATEGY FOR THE PUBLIC SECTOR APPEARS TO BE LIMITED SINCE 10 PERCENT APPEARS TO HAVE BECOME THE NORMAL BARGAINING FIGURE. OTHER PUBLIC SECTOR UNION LEADERS PRIVATELY SAY THEY ARE NOW FORMULATING THEIR FORTHCOMING CLAIMS AT HIGHER LEVELS AND ADDING LIMITED OFFICIAL USE

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FRINGE BENEFITS WITH A VIEW TO BARGAINING DOWN TO 10 PERCENT. MOREOVER, THE ISTC HAS A REPUTATION AS A MODERATE, LEVEL-HEADED ORGANIZATION WHICH HAS RELIABLY SUPPORTED TUC AND GOVERNMENT WAGE MODERATION POLICIES. ALSO, THE ISTC WOULD PROBABLY BE ONE OF THOSE MOST LIKELY TO CONTINUE TO DO SO IF THERE WERE A FOURTH YEAR OF WAGE RESTRAINT. PRIVATELY TRADE UNION LEADERS SAY

A 10 PERCENT OVERALL SETTLEMENT IN STEEL
WOULD BE A SMALL PRICE TO PAY FOR ISTC COOPERATION IN
PLANT CLOSURES AND ITS CONTINUED SUPPORT AS ONE
OF THE GOVERNMENT'S KEY TRADE UNION ALLIES. BOTH THE
TUC AND GOVERNMENT HAVE A STAKE IN A PEACEFUL SETTLE-
MENT, SINCE A CONFRONTATION OF THE LABOR GOVERNMENT WITH
AN ESTABLISHED ALLY WOULD NOT HELP THE GOVERNMENT'S
CLAIM TO A SPECIAL SKILL FOR HANDLING RELATIONS WITH
BRITAIN'S TRADE UNIONS; AND THE TUC WOULD FIND IT IN-
CREASINGLY DIFFICULT TO PROVIDE THE COOPERATION THE
GOVERNMENT NEEDS TO FACE DOWN CHALLENGES TO WAGE
MODERATION BY "LESS REASONABLE" AFFILIATES. BREWSTER

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